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STATE DOCUMENTS

STATE OF MONTANA  
GRASS CONSERVATION COMMISSION  
REPORT ON EXAMINATION  
Fiscal Year Ended June 30, 1969



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MONTANA

STATE CAPITOL • HELENA



STATE OF MONTANA  
GRASS CONSERVATION COMMISSION  
REPORT ON EXAMINATION  
Fiscal Year Ended June 30, 1969



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## APPOINTIVE AND ADMINISTRATIVE OFFICIALS

### STATE GRASS CONSERVATION COMMISSION

#### Commission Members

Cleon Graves, Chairman	Roundup	1973
John Brown, Vice Chairman	Worden	1971
Clyde Sandon, Commissioner	Ekalaka	1972
William J. Cotter, Commissioner	Malta	1970
I. H. "Ted" McIntyre, Commissioner	Glasgow	1971

#### Administrative Officials

L. P. Church, Secretary (1)	Miles City
David G. Ravines, Consultant	Miles City

- (1) Appointed July 1, 1969, to succeed Mr. Ravines who was the commission's secretary until that date.





## SUMMARY OF RECOMMENDATIONS

Establish and maintain currently a general ledger utilizing the double entry system and prepare annual financial statements.

Deposit cash collections on a timely basis after their receipt.

Establish a cutoff date for payment of fees and require the grazing districts to pay the fees on time.

Require all grazing districts to submit reports supporting the computation of the fees paid.

Collect the amount of fees underpaid by the grazing districts for the 1969 season.

Determine the amount due the state general fund, initiate the necessary procedures to transfer this amount to the general fund, and deposit 1 percent of future collections to the general fund.

Establish control accounts in the general ledger for equipment and a subsidiary ledger in which each equipment item is recorded.

Record additions and deletions to equipment in the ledgers on a timely basis.

Include a statement of changes in general fixed assets in the annual financial statements.

Maintain attendance records and records showing time off earned, taken, and balance for employees' vacation, sick leave, and overtime.

Charge expenditures in accordance with appropriation provisions.

Utilize means established by law to obtain required spending authority.



SUMMARY OF RECOMMENDATIONS (Continued)

The state controller refuse to process claims for payment that do not contain sufficient supporting documentation.	11
Obtain a refund of duplicate travel expense payment.	11





STATE OF MONTANA  
**Office of the Legislative Auditor**  
STATE CAPITOL  
HELENA, MONTANA 59601

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the balance sheet of the Montana state grass conservation commission as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

The commission does not maintain a general ledger, utilize the double entry system of accounting, or prepare annual financial statements. The accompanying financial statements were prepared from records of the state treasurer and the state controller and the detail records of the commission.

The commission has maintained no control account or subsidiary ledger for its equipment. As noted in the accompanying Statement of Changes in General Fixed Assets, Exhibit E, the equipment balance of \$300 contains estimated values totaling \$240. Since no ledger exists to show the equipment values, amounts were determined by reviewing disbursement vouchers for equipment purchases for the past several years and assigning an estimated value for older items or for items



for which incomplete information exists.

The commission does not require grazing districts to submit information to determine that the proper fees are collected. As described in greater detail in the comments section, the number of animal units times the prescribed dollar rate is how the fees should be determined. In many instances there were no reports accompanying the fee payments to indicate the number of animal units or the dollar rate used. Instances were noted where the information was available that the payments were less than they should have been.

The commission has not deposited 1 percent of its collections to the state general fund over the years as is prescribed by law. Accordingly the commission's account in the earmarked revenue fund has a liability of an undetermined amount to the general fund.

The commission exceeded its spending authority for the 1967-69 biennium by the payment against its 1969-70 appropriation of claims for services received during the 1968-69 fiscal year.

Because of the exceptions described above and as further amplified in the comments section of this report and the unknown materiality of some of the amounts involved, we are not able to express an opinion as to the fairness with which the accompanying financial statements present the financial position of the Montana state grass conservation commission as of June 30, 1969, and the results of its operations for the year then ended in conformity with generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.





## COMMENTS

### GENERAL

The state grass conservation commission was created by Montana Statutes of 1939, Chapter 208. This act, as subsequently amended and currently codified in Title 46, Chapter 23, R.C.M. 1947, provides for a five-member commission to supervise the operation of the thirty-three cooperative state grazing districts in Montana. Commission members are appointed by the governor for four-year terms and must be an officer or a permittee member of an organized state grazing district from each of the following groups:

- (1) Montana Stockgrowers' Association
- (2) Montana Woolgrowers' Association
- (3) County Commissioners' Association
- (4) One of the Cooperative Grazing Districts
- (5) General Public (Familiar with the Livestock Industry)

The prime purpose of the Grass Conservation Act is to provide for the conservation, protection, restoration, and proper utilization of grass, forage and range resources of the state of Montana. The main responsibilities of the commission are to act in an advisory capacity with the state land board and county commissioners, to supervise and coordinate the formation and operation of grazing districts incorporated under the act, and to otherwise assist in carrying out the purposes of the Grass Conservation Act.

During the year ended June 30, 1969, the commission had two part-time employees-- the secretary and an assistant. Effective July 1, 1969, the part-time secretary resigned that duty but was retained on the commission's payroll as a part-time consultant. The former part-time assistant secretary became the commission's full-time secretary. \* -



The grass conservation commission is self-supporting. Section 46-2331, P.C.M., 1947, provides that the commission has the authority to impose an annual fee against the state grazing districts up to 10¢ per animal unit based upon the number of animal units per year for which each district grants grazing permits. The section further provides that 1 percent of said fees collected shall be deposited into the state general fund and the remainder to the commission's account in the earmarked revenue fund. The commission set its fee for the 1968 grazing season at 7¢ per animal unit and for the 1969 season at 9¢. As shown by the Statement of Revenue, Exhibit C, the commission collected fees for both the 1968 and 1969 grazing seasons during the 1968-69 fiscal year.

As shown by Exhibit D, the commission received a budget amendment authorizing the expenditure for operation of \$3,800 in addition to the commission's appropriation for the 1968-69 fiscal year. The primary justifications for the budget amendment were the need for additional legal services for hearings and negotiations with the federal bureau of land management and additional travel expenses incurred because of unexpected hearings and the changeover in secretaries.

#### ACCOUNTING SYSTEM

The commission does not maintain a general ledger, utilize the double entry system of accounting or prepare yearend financial statements.

A general ledger should be maintained and posted on a monthly basis to properly show changes and balances of the board's assets and account balance and the accumulated revenues and expenditures for the year. The general ledger should be posted monthly from books of original entry (cash receipts register, claims register, etc.)

The double entry system should be utilized to keep the accounts in balance, show the dual effect upon each financial transaction, and provide the basis for preparation of accurate and complete financial statements and reconciliations.



Each state agency is required by law (section 59-701, R.C.M. 1947) to submit annual financial statements to the state controller. Financial statements are basic to show the results of each agency's operations and its financial position at yearend. The state controller is presently in the process of establishing the bases for the content, format, and instructions for preparation of the financial statements to be prepared by state agencies in the future.

#### RECOMMENDATION

*We recommend that the commission confer with the state controller and that a general ledger be established and posted on a monthly basis utilizing the double entry system and that yearend financial statements be prepared.*

#### CASH PROCEDURES

It has been the practice of the commission to hold cash received for varying lengths of time before depositing the cash with the state treasurer. Generally accepted internal control standards provide that cash receipts should be deposited intact as promptly as possible and on a regularly scheduled basis. We believe this to be particularly important in an agency as small as the commission in which it is difficult to establish adequate internal controls.

#### RECOMMENDATION

*We recommend that the commission deposit cash collections on a timely basis after their receipt.*

#### COLLECTION OF FEES

As shown by the Statement of Revenue, Exhibit C, fees were collected during the 1968-69 fiscal year for both the 1968 and 1969 grazing seasons--most being



for the 1968 season. As mentioned in the general comments section, the fee was 7¢ per animal unit for the 1968 season and 9¢ for the 1969 season.

The commission has no established cutoff date that it enforces for payment of the fees. Section 46-2331, R.C.M. 1947, provides that fees shall be paid by the districts on or before May 1 of each year but it is not definite as to which grazing season the fees are to be paid by that date. Should they be the fees for the upcoming season or the past season? The districts have interpreted it both ways resulting in the inconsistency of time of receipt and the commission has not required payment by a specified date. In February 1969, the districts were notified of the increase in fee for the 1969 season and were requested to pay the state fee by June 30, 1969. As shown by Exhibit C, payments from 9 of the 33 districts had been received as of June 30. As of the time of our audit in October, 21 of the 33 districts had paid their fee. Of these it was noted that two of the larger districts had incorrectly paid at the 7¢ rate applicable to the 1968 season instead of the new 9¢ rate.

The commission does not require the districts to submit reports supporting the computation of the fees paid. The fees due are computed by multiplying the number of animal units for which permits are issued times the prescribed rate per animal unit. Accordingly, the number of animal units must be known to verify that the proper fee was paid. The commission has accepted the districts' payments in many instances without requiring the submission of further substantiation.

A form that is in use for several of the districts is a "master listing sheet" on which are listed for each member of the district the number of cattle, horses, sheep, and resulting number of animal units. The total of the animal units column on this listing times the applicable fee rate should equal the





amount due. It was from these forms that we were able to determine the instances described above where underpayments were made. It cannot be determined that the correct fees are collected without this supporting information and we believe the commission should require it from each district.

#### RECOMMENDATION

We recommend that the commission:

- (1) Establish a cutoff date for payment of its fees and require the state grazing districts to pay the fees on time.
- (2) Require all the grazing districts to submit reports supporting the computation of the fees paid.
- (3) Collect the amount of fees underpaid by the grazing districts for the 1969 season.

#### REVENUE TO THE GENERAL FUND

The Grass Conservation Act, Section 46-2331, R.C.M. 1947, provides that the grass conservation commission pay 1 percent of its fees and collections to the state general fund. This was not done during the 1968-69 fiscal year or for several years previously, if ever. The amount involved for 1968-69 was only \$127 but the accumulated amount over the years could amount to a substantial sum. We believe the commission should deposit its fees to the state funds as prescribed by law.

#### RECOMMENDATION

We recommend that the commission determine the amount due the state general fund, initiate the necessary procedures to transfer this amount from the commission's earmarked revenue fund account to the general fund, and deposit 1 percent of future collections to the general fund as prescribed by law.



### UNRECORDED EQUIPMENT

The grass conservation commission does not have accounting records to account for its equipment. Although the amount and dollar value of the commission's equipment is small, we believe the system should provide for accountability of all the board's assets. As noted in the Statement of Changes in General Fixed Assets, Exhibit E, of this report, estimated amounts totaling \$240 are included due to the lack of readily available information. This information should be available from control and detail ledgers posted in the period in which equipment transactions occur.

### RECOMMENDATION

*We recommend that the grass conservation commission:*

- (1) Establish control accounts in the general ledger for its equipment and a subsidiary ledger in which each equipment item is recorded.*
- (2) Record additions and deletions to equipment in the ledgers on a timely basis.*
- (3) Include a statement of changes in general fixed assets in their annual financial statements.*

### EMPLOYEE ATTENDANCE RECORDS

The commission has maintained no records relating to employees' attendance or of their time off earned and taken for vacation, sick leave, and overtime. The maintenance of attendance records showing employees' vacation, sick leave, and overtime earned, time taken off, and balance is essential to readily determine that time taken off by an employee was earned. Although the commission's number of employees is small, we believe these records are needed for proper administration of the agency. We believe these records should be a required part of a state-wide personnel and payroll system.



#### RECOMMENDATION

*We recommend that the commission maintain employee attendance records and records showing time off earned, taken, and the balance for employees' vacation, sick leave, and overtime.*

#### CONTROL OVER EXPENDITURES

##### Range Survey

As shown by Exhibit D, the commission had separate appropriations for personal services and operations during the 1967-69 biennium. The commission approved an expenditure of \$3,500 for a range survey, but did not have sufficient funds in the operations appropriation to pay for it. To pay for the range survey, the consultant was put on the payroll effective June 1, 1968, for three months at \$800 per month and the balance of \$1,100 was paid out of operations. Whenever a proposed expenditure will result in the appropriation balance being exceeded, a request for a budget amendment should be submitted instead of proceeding with charging the expenditure to an incorrect appropriation.

#### RECOMMENDATION

*We recommend that the commission charge expenditures in accordance with the provisions of its appropriations.*

##### Overexpenditure of Appropriation

As shown by Exhibit D, the commission expended all but \$718 of its appropriation for operations for the biennium ended June 30, 1969. The commission, however, submitted several claims during the early months of the 1969-70 fiscal year which were applicable to services received during 1968-69. For example, the



commission's first claim charged to its 1969-70 appropriation was for legal services provided between May 1 - June 30, 1969, in the amount of \$1,038. This procedure is in conflict with section 59-701.2, R.C.M. 1947, which provides that "any just claims not paid within the fiscal year shall become payable from the succeeding year's appropriation, providing, however, that such claims shall not exceed the appropriation for the preceding biennium." (Emphasis added.) In this instance, the payment in 1969-70 of the claims applicable to 1968-69 services resulted in an appropriation deficiency for the preceding biennium.

The purpose of the above law is to prevent agencies from overexpending appropriations by accumulating bills for goods and services over the last period of a biennium and paying such bills from the succeeding biennium appropriation.

In this instance, the commission had the opportunity to request the required authority to pay the bills against the correct appropriation by means of a budget amendment. An approved budget amendment of a sufficient amount would have permitted these claims to have properly been processed for payment.

#### RECOMMENDATION

*We recommend that the commission utilize the means established by law to obtain the required spending authority when the processing of claims for payment will result in overexpenditure of its appropriation.*

#### Duplicate Payment of Travel Claims

Three of the commission's travel expense claims for May 1969 were paid twice. The result is that travel expenses shown on Exhibit D in the amount of \$5,230 are overstated \$158 and the commission has an amount due from a commission member in the amount of \$46.11. The apparent sequence of events leading to this result is as follows.





The commission submitted the three claims supported by properly approved travel expense vouchers to the state controller's office for payment. The controller's office noticed that the commission had submitted only the original of the claim form and there was no copy for the controller's records. The controller's office processed the claims for payment but notified the commission to send a copy of the claims for the controller's files. The second set of claims sent by the commission were on the original form as opposed to the duplicate, different colored form which served as the controller's file copy but did not have a copy of the travel expense vouchers attached. This second set of claims were also processed for payment and warrants were written, signed, and distributed in the regular manner. The commission's appropriation for operation was charged for both sets of disbursements.

Two of the three duplicate warrants were subsequently returned to the state treasurer for cancellation and were properly credited to the commission's account. The third duplicate warrant for \$46.11 was cashed as well as the original warrant. Accordingly, this amount is yet to be returned to the commission's account.

We believe the prime deficiencies in the system causing the duplicate payments and non-collection of the one overpayment are that the state controller's office would allow claims to be processed for payment without supporting documentation (travel expense vouchers in this instance) and the commission's lack of accounting records to verify that charges to its appropriation by the controller's office are valid.

#### RECOMMENDATION

*We recommend that the:*

- (1) State controller's office refuse to process claims for payment that do not contain sufficient supporting documentation.*
- (2) Commission obtain a refund of the duplicate travel expense payment made for May, 1969.*

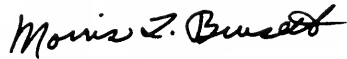


## CONCLUSION

The state grass conservation commission is a relatively small state agency. There is only one full-time office employee and accordingly the establishment of adequate internal controls and maintenance of adequate accounting records is not easy. However, the implementation of a double entry system built around currently maintained general and subsidiary ledgers together with the other recommendations contained in this report should result in a basically sound system for the commission.

We wish to express our appreciation to the commission's secretary with whom we worked for his excellent cooperation and assistance.

Respectfully submitted,

A handwritten signature in black ink, reading "Morris L. Brusett". The signature is written in a cursive, slightly slanted style.

Morris L. Brusett  
Legislative Auditor

October 28, 1969



GRASS CONSERVATION COMMISSION  
ALL FUNDS  
BALANCE SHEET  
June 30, 1969

	<u>Earmarked Revenue Fund</u>	<u>General Fixed Assets</u>
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Assets

Cash in State Treasury	\$ 1,439	\$ --
Cash in Transit to State Treasury	843	--
Cash on Hand	2,061	--
Equipment (1)	<u>--</u>	<u>300</u>
Total Assets	<u>\$ 4,343</u>	<u>\$ 300</u>

Reserves and Fund Balance

Reserve for Investment in General Fixed Assets (1)	\$ --	\$ 300
Fund Balance - Exhibit B	<u>4,343</u>	<u>--</u>
Total Reserves and Fund Balance	<u>\$ 4,343</u>	<u>\$ 300</u>

(1) See note to Exhibit E



GRASS CONSERVATION COMMISSION  
EARMARKED REVENUE FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
Fiscal Year Ended June 30, 1969

Fund Balance, July 1, 1968	\$12,196
Additions:	
Revenue - Exhibit C	<u>12,673</u>
Total Balance and Additions	24,869
Deductions:	
Expenditures - Exhibit D	20,526
Fund Balance, June 30, 1969	<u>\$ 4,343</u>





GRASS CONSERVATION COMMISSION  
 EARMARKED REVENUE FUND  
 STATEMENT OF REVENUE  
 Fiscal Year Ended June 30, 1969

<u>Grazing District</u>	<u>Grazing Year</u>		<u>Total</u>
	<u>1968</u>	<u>1969</u>	
Angela	\$ --	\$ --	\$ --
Badland	--	1,198	1,198
Buffalo Creek	--	--	--
Buggy Creek	--	--	--
C & B	175	229	404
Chain Buttes	--	368	368
Cherry Ridge	539	--	539
Coal Creek	323	--	323
Crooked Creek	258	--	258
Devil's Basin	489	--	489
East Custer	--	382	382
Flatwillow	239	--	239
Fort Pease	85	--	85
Froze-to-Death	--	209	209
Grass Range	297	--	297
Kilby Butte	201	388	589
Lohman	62	--	62
North Fork	280	--	280
North Phillips	1,509	--	1,509
North Valley	--	863	863
Pole Creek	--	--	--
Prairie County	--	--	--
Red Butte	103	--	103
Smith Creek	--	75	75
South Phillips	1,710	--	1,710
Tobacco Root	--	--	--
Waterloo	81*	--	81
Wayne Creek	389	--	389
Weede	263	--	263
Williams Coulee	205	--	205
Willow Creek	370	486	856
Winnett	897	--	897
Total	\$ 8,475	\$ 4,198	\$ 12,673

\* Includes fees for grazing years 1961 through 1968.



GRASS CONSERVATION COMMISSION  
 earmarked REVENUE FUND  
STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATION  
Fiscal Year Ended June 30, 1969

	<u>Personal Services</u>	<u>Operation</u>	<u>Total</u>
Carryover Balance from 1967-68	\$ 3,508	\$ 7	\$ 3,515
1968-69 Appropriation	10,600	6,100	16,700
Budget Amendment	<u>---</u>	<u>3,800</u>	<u>3,800</u>
Total Available	14,108	9,907	24,015
Expenditures	<u>11,337</u>	<u>9,189</u>	<u>20,526</u>
Balance Reverted	<u>\$ 2,771</u>	<u>\$ 718</u>	<u>\$ 3,489</u>

ANALYSIS OF EXPENDITURES

Personal Services:

Salaries:

Executive Secretary	\$ 6,000	
Assistant Secretary	2,454	
Range Survey Specialist	<u>1,600</u>	\$10,054

Commission Members' Per Diem	320
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Employee Benefits	<u>1,009</u>
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Total Personal Services	\$ 11,383
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Operation:

Transcripts of Hearings	257
Printing	206
Telephone	1,345
Travel	5,230
Attorney's Fees	1,000
Range Survey Fee	1,100
Other	<u>5</u>

Total Operation	<u>9,143</u>
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Total Expenditures	<u>\$ 20,526</u>
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GRASS CONSERVATION COMMISSION  
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
Fiscal Year Ended June 30, 1969

Equipment - Balance, July 1, 1968	\$ 300
No Changes	<u>    </u>
Equipment - Balance, June 30, 1969	<u>\$ 300</u>

NOTE: The equipment balance contains estimated values of equipment totaling \$240.





